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SECURITIES AND EXCHANGE COMMISSION
[Release No. 34-88767; File No. SR-MIAX-2020-08]

Self-Regulatory Organizations; Miami International Securities Exchange, LLC; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to List and Trade Options That Overlie Five Advanced Fundamentals LLC Commercial Real Estate Indexes

April 29, 2020.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”),¹ and Rule 19b-4 thereunder,² notice is hereby given that on April 17, 2020, Miami International Securities Exchange, LLC (“MIAX” or the “Exchange”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I and II below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange is filing a proposal to list and trade options that overlie five Advanced Fundamentals LLC (“Advanced Fundamentals”) Commercial Real Estate Indexes (the “AF CRE Indexes”).

The text of the proposed rule change is available on the Exchange’s website at <http://www.miaxoptions.com/rule-filings/> at MIAX’s principal office, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of this proposed rule change is to amend certain of the Exchange’s rules in connection with the Exchange’s plan to list and trade options on five AF CRE Indexes³ – the AF CRE Residential Index, AF CRE Retail Index, AF CRE Office Index, AF CRE Hospitality Index⁴ and AF CRE Composite Index. The AF CRE Indexes measure real-time real estate returns representing the performance of real estate investment trusts (“REITs”) and/or publicly listed equity companies across various sectors. The AF CRE Sector Indexes measure real-time real estate returns representing the performance of REITs and/or publicly listed equity companies within one of the following sectors:

Sector	Symbol⁵	Number of Components⁶
Residential	MXAFR	15
Retail	MXAFT	15

³ On April 16, 2020, the Exchange filed a Form 19b-4(e) with the Commission pursuant to Rule 19b-4(e) of the Act for the AF CRE Indexes.

⁴ The AF CRE Residential Index, AF CRE Retail Index, AF CRE Office Index and AF CRE Hospitality Index are collectively referred to herein as the “AF CRE Sector Indexes.”

⁵ These symbols represent each AF CRE Index.

⁶ If less than 15 components are eligible, the AF CRE Sector Indexes are calculated using less than 15 components, but no fewer than 10 components.

Office	MXAFO	14
Hospitality	MXAFH	14

Each constituent of an AF CRE Index is a REIT or equity company listed on a U.S. securities exchange. The individual components of each AF CRE Sector Index are determined from the REITs/equity companies that have the largest enterprise value (“Enterprise Value”)⁷ within each individual sector and that also meet certain minimum eligibility requirements.⁸ The components of the AF CRE Sector Indexes are each an NMS stock as defined in Rule 600 of Regulation NMS (“Reg NMS”) under the Act. The AF CRE Composite Index measures the weighted average returns of the four AF CRE Sector Indexes and consists of up to 60 publicly traded REITs and/or equity companies, which comprise the four underlying sector returns that are listed on a U.S. securities exchange.⁹ Refinitiv monitors and maintains each AF CRE Index and rebalances each AF CRE Index quarterly.

Initial and Maintenance Listing Criteria

The AF CRE Composite Index meets the definition of a broad-based index as set forth in Exchange Rule 1802(d) (an index designed to be representative of a stock market as a whole or

⁷ The term “Enterprise Value” refers to the measure of a company’s total value, calculated by adding the company’s market capitalization, total liabilities and preferred equity, then subtracting all cash and cash equivalents. See <https://www.investopedia.com/terms/e/enterprisevalue.asp>.

⁸ Refinitiv is the reporting authority for each of the AF CRE Indexes. See proposed Exchange Rule 1801, Interpretation and Policy .01. Thomson Reuters’ Financial & Risk (“F&R”) business unit was rebranded under the name “Refinitiv” in 2018 when Thomson Reuters sold a majority stake in its F&R business unit to private equity firm Blackstone Group LP. Refinitiv provides financial markets data and infrastructure in over 150 countries. Part of Refinitiv’s services include, but are not limited to, the calculation of various indexes. See Thomson Reuters Financial & Risk Business Announces New Company Name: Refinitiv (July 27, 2018), available at <https://www.thomsonreuters.com/en/press-releases/2018/july/thomson-reuters-financial-and-risk-business-announces-new-company-name-refinitiv.html>.

⁹ The symbol for the AF CRE Composite Index is “MXAFC.”

of a range of companies in unrelated industries). Additionally, the AF CRE Composite Index option satisfies the initial listing criteria of a broad-based index, as set forth in Exchange Rule 1802(d):

- (1) options will be A.M.-settled index options;
- (2) the index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of 50 or more component securities (the AF CRE Composite Index is modified capitalization-weighted);
- (3) the component securities that account for at least ninety-five percent (95%) of the weight of the index have a market capitalization of at least \$75 million, except that component securities that account for at least sixty-five percent (65%) of the weight of the index have a market capitalization of at least \$100 million;
- (4) component securities that account for at least eighty percent (80%) of the weight of the index satisfy the requirements of Rule 402 applicable to individual underlying securities;
- (5) each component security that accounts for at least one percent (1%) of the weight of the index has an average daily trading volume of at least 90,000 shares during the last six month period;
- (6) no single component security accounts for more than ten percent (10%) of the weight of the index, and the five highest weighted component securities in the index do not, in the aggregate, account for more than thirty-three percent (33%) of the weight of the index;
- (7) each component security is an “NMS stock” as defined in Rule 600 of Regulation NMS under the Exchange Act;

- (8) non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not, in the aggregate, represent more than twenty percent (20%) of the weight of the index;
- (9) the current index value is widely disseminated at least once every fifteen (15) seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time options on the index are traded on the Exchange;
- (10) the Exchange reasonably believes it has adequate system capacity to support the trading of options on the index, based on a calculation of the Exchange's current ISCA allocation and the number of new messages per second expected to be generated by options on such index;
- (11) an equal dollar-weighted index will be rebalanced at least once every calendar quarter;
- (12) if an index is maintained by a broker-dealer, the index is calculated by a third-party who is not a broker-dealer, and the broker-dealer has erected an informational barrier around its personnel who have access to information concerning changes in, and adjustments to, the index; and
- (12) the Exchange has written surveillance procedures in place with respect to surveillance of trading options on the index.

Options on the AF CRE Composite Index will be subject to the maintenance and listing standards set forth in Exchange Rule 1802(e):

- (1) the requirements set forth in subparagraphs (d)(1) – (d)(3) and (d)(9) – (d)(15) of Exchange Rule 1802 must continue to be satisfied. The requirements set forth in

subparagraphs (d)(5) – (d)(8) of Exchange Rule 1802 must be satisfied only as of the first day of January and July in each year; and

- (2) the total number of component securities in the index may not increase or decrease by more than ten percent (10%) from the number of component securities in the index at the time of its initial listing.¹⁰

Each of the AF CRE Sector Indexes meet the definition of a narrow-based index as set forth in Exchange Rule 1802(b) (an index designed to be representative of a particular industry or a group of related industries and include indices having component securities that are all headquartered with in a single country). Additionally, the proposed options on the AF CRE Sector Indexes satisfy the initial listing criteria of a narrow-based index, as set forth in Exchange Rule 1802(b):

- (1) options will be A.M.-settled index options;
- (2) the index is capitalization-weighted, price-weighted, equal dollar-weighted, or modified capitalization-weighted, and consists of ten or more component securities (the AF CRE Indexes are modified capitalization-weighted);
- (3) each component security has a market capitalization of at least \$75 million, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, the market capitalization is at least \$50 million;

¹⁰ In the event a class of index options listed on the Exchange fails to satisfy the maintenance listing standards set forth herein, the Exchange shall not open for trading any additional series of options of that class unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Exchange Act. See Exchange Rule 1802(e)(2).

- (4) trading volume of each component security has been at least one million shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than 10% of the weight of the index, trading volume has been at least 500,000 shares for each of the last six months;
- (5) in a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of component securities in the index each have had an average monthly trading volume of at least 2,000,000 shares over the past six months;
- (6) no single component security represents more than 30% of the weight of the index, and the five highest weighted component securities in the index do not in the aggregate account for more than 50% (65% for an index consisting of fewer than 25 component securities) of the weight of the index;
- (7) component securities that account for at least 90% of the weight of the index and at least 80% of the total number of component securities in the index satisfy the requirements of Rule 402 applicable to individual underlying securities;
- (8) each component security is an “NMS stock” as defined in Rule 600 of Reg NMS under the Act;
- (9) non-U.S. component securities (stocks or ADRs) that are not subject to comprehensive surveillance agreements do not in the aggregate represent more than 20% of the weight of the index;

- (10) the current index value is widely disseminated at least once every 15 seconds by OPRA, CTA/CQ, NIDS or one or more major market data vendors during the time the index options are traded on the Exchange;
- (11) an equal dollar-weighted index will be rebalanced at least once every calendar quarter; and
- (12) if an underlying index is maintained by a broker-dealer, the index is calculated by a third party who is not a broker-dealer, and the broker-dealer has erected an information barrier around its personnel who have access to information concerning changes in and adjustments to the index.

Options on each of the AF CRE Sector Indexes will be subject to the maintenance and listing standards set forth in Exchange Rule 1802(c):

- (1) the requirements stated in subparagraphs (b)(1), (3), (6), (7), (8), (9), (10), (11) and (12) of Exchange Rule 1802 must continue to be satisfied, provided that the conditions stated in subparagraph (b)(6) must be satisfied only as of the first day of January and July in each year;
- (2) the total number of component securities in the index may not increase or decrease by more than 33 1/3% from the number of component securities in the index at the time of its initial listing, and in no event may be less than nine component securities;
- (3) trading volume of each component security in the index must be at least 500,000 shares for each of the last six months, except that for each of the lowest weighted component securities in the index that in the aggregate account for no more than

10% of the weight of the index, trading volume must be at least 400,000 shares for each of the last six months; and

- (4) in a capitalization-weighted index or a modified capitalization-weighted index, the lesser of the five highest weighted component securities in the index or the highest weighted component securities in the index that in the aggregate represent at least 30% of the total number of stocks in the index each have had an average monthly trading volume of at least 1,000,000 shares over the past six months.¹¹

Expiration Months, Settlement, and Exercise Style

Consistent with existing rules for certain index options,¹² the Exchange will allow up to twelve near-term expiration months for options on the AF CRE Indexes.¹³ The Exchange will likely not initially list twelve near-term expiration months for options on the AF CRE Indexes; however, the Exchange elects to have the ability to list up to twelve near-term expiration months in the future.

The options on each of the AF CRE Indexes will be A.M., cash-settled contracts with European-style exercise.¹⁴ A.M.-settlement is consistent with the generic listing criteria for

¹¹ As is the case with other index options authorized for listing and trading on MIAX, in the event an AF CRE Index fails to satisfy the maintenance listing standards, the Exchange will not open for trading any additional series of options of that class unless such failure is determined by the Exchange not to be significant and the Commission concurs in that determination, or unless the continued listing of that class of index options has been approved by the Commission under Section 19(b)(2) of the Act. See Exchange Rule 1802(c)(4).

¹² See Securities Exchange Act Release No. 84417 (October 12, 2018), 83 FR 52865 (October 18, 2018) (SR-MIAX-2018-14) (Order Granting Approval of a Proposed Rule Change to List and Trade Options on the SPIKES™ Index).

¹³ See proposed Exchange Rule 1809(a)(3).

¹⁴ See proposed Exchange Rule 1809(a)(4)(ii)-(vi).

industry-based indexes¹⁵ (as well as broad-based indexes¹⁶), and thus it is common for index options to be A.M.-settled. The Exchange proposes to amend Exchange Rule 1809(a)(5) to add the options on the AF CRE Indexes to the list of other A.M.-settled options. The Exchange proposes to amend Exchange Rule 1809(a)(4) to add options on the AF CRE Indexes to the list of other European-style index options.

Capacity

The Exchange has analyzed its capacity and represents that it believes the Exchange and OPRA have the necessary systems capacity to handle the additional traffic associated with the listing of new series that would result from the introduction of options on each of the AF CRE Indexes up to the proposed number of possible expirations. Because the proposal is limited to five classes, the Exchange believes any additional traffic that would be generated from the introduction of options on the AF CRE Indexes would be manageable.

Component Selection for the AF CRE Sector Indexes

The composition of each AF CRE Index is determined in a reconstitution on a quarterly basis from audited REIT/equity company filings and supplemental filings with the Commission, updated each quarter and intra-quarter based on 8-K, 10-Q, and 10-K filings. The components in each of the AF CRE Sector Indexes are determined from the REITs/equity companies that have the largest Enterprise Value within each individual sector and that meet the following minimum eligibility requirements. To be eligible for inclusion in each of the AF CRE Sector Indexes, a REIT/equity company must: (i) be classified as an equity REIT; (ii) be listed on a U.S. securities exchange; (iii) have a minimum Enterprise Value of \$1 billion; (iv) have at least 85% of its revenue derived from the associated asset class; and (v) have issued a quarterly filing or annual

¹⁵ See Exchange Rule 1802(b)(1).

¹⁶ See Exchange Rule 1802(d)(2).

report after its initial listing. Adjustments are made to the values of the AF CRE Sector Indexes during the quarterly reconstitution taking into account changes in each AF CRE Sector Indexes' component's per unit value, where the unit for each AF CRE Sector Index is represented as follows:

- AF CRE Residential Index = amount of residential units owned by the component security.
- AF CRE Retail Index = amount of square footage owned by the component security.
- AF CRE Office Index = amount of square footage owned by the component security.
- AF CRE Hospitality Index = amount of hotel rooms owned by the component security.

Index Calculation and Modified Market-Capitalization Weighting Methodology

Each of the AF CRE Sector Indexes are calculated using a modified market capitalization-weighting ("MCW") methodology. The MCW is determined by starting with the standard market capitalization of each component REIT/equity security in each AF CRE Sector Index and dividing such component's market capitalization by its enterprise value. Enterprise value identifies the amount of leverage (debt) and level of cash for each component security listed in that particular AF CRE Sector Index. With this modification, the debt portion of each component REIT/equity security is identified and effectively removed from the component's weighting, with the removed amount being represented as a static cash position in each AF CRE Sector Index. This modification process produces the benefit of being able to measure the performance of each of the components on a non-levered basis, creating a truer comparison

between components and thus getting a more accurate representation of the value of the real estate holdings in the component's portfolio. Every component REIT/equity security in each of the AF CRE Sector Indexes goes through the same modification process in order to generate a modified market-capitalization weighting for each component. Component weights for the AF CRE Sector Indexes are adjusted and reset on a monthly basis. The most recent public company filings (10-K, 10-Q, 8-K) and share data are used as inputs at each reweighting. For the AF CRE Composite Index, each AF CRE Sector Index is weighted in a ratio of the sum of its components' enterprise values to the total sum of the enterprise values for all of the AF CRE Sector Indexes.

2. Statutory Basis

The Exchange believes the proposed rule change is consistent with the Act and the rules and regulations thereunder applicable to the Exchange and, in particular, the requirements of Section 6(b) of the Act.¹⁷ Specifically, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁸ requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest. Additionally, the Exchange believes the proposed rule change is consistent with the Section 6(b)(5)¹⁹ requirement

¹⁷ 15 U.S.C. 78f(b).

¹⁸ 15 U.S.C. 78f(b)(5).

¹⁹ Id.

that the rules of an exchange not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

The Exchange believes that the proposal to list and trade options on the AF CRE Indexes will remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, protect investors and the public interest, because the Exchange believes that the proposed rule change will further the Exchange's goal of introducing new and innovative products to the marketplace. Currently, the Exchange believes that there is unmet market demand for exchange-listed security options listed on commercial real estate indexes representing residential, retail, office and hospitality sectors. Each AF CRE Sector Index consists of no more than 15 REITs/equity companies (but no less than 10 REITs/equity companies) listed on a U.S. securities exchange.²⁰ Each REIT/equity company must be listed on a U.S. securities exchange, have a minimum Enterprise Value of \$1 billion, have at least 85% of its revenue derived from the associated asset class, and have issued a quarterly filing or annual report after initial listing. For the AF CRE Composite Index, each of the AF CRE Sector Indexes are weighted in a ratio of the sum of each indexes' components enterprise values to the total sum of the enterprise values for all the AF CRE Sector Indexes. As a result, the Exchange believes that options on each of the AF CRE Indexes are designed to provide different and additional opportunities for investors to hedge or speculate on the market risk associated with the various sectors of the commercial real estate market by listing options directly on the AF CRE Indexes representing those sectors.

The options that the Exchange proposes to list on each of the AF CRE Indexes satisfies the initial listing standards for broad-based (for the AF CRE Composite Index) and narrow-based

²⁰ See supra note 6.

indexes (for the AF CRE Sector Indexes) pursuant to the Exchange's current rules. The proposed rule change adds the AF CRE Indexes to the table regarding reporting authorities for the Exchange's proprietary index options, to the Exchange's rule regarding the number of permissible expirations,²¹ to the list of European-style exercise index options, and to the list of A.M.-settled index options. These changes are consistent with existing rules and index options currently authorized and listed for trading on the Exchange and other exchanges. The Exchange also represents that it has the necessary systems capacity to support the new option series for each of the AF CRE Indexes given these proposed specifications. The Exchange believes that options on the AF CRE Indexes, as proposed to be traded under Exchange Rules, would not be readily susceptible to manipulation. The Exchange believes the proposed rule change will further the Exchange's goal of introducing new and innovative products to the marketplace. The Exchange believes that listing options on the AF CRE Indexes will provide an opportunity for investors to hedge, or speculate on, the market risk associated with the commercial real estate industry.

The Exchange believes that its existing surveillance and reporting safeguards are designed to deter and detect possible manipulative behavior which might arise from listing and trading options on the AF CRE Indexes. The Exchange further notes that current Exchange Rules that apply to the trading of other index options traded on the Exchange, such as options on the SPIKES Index, would also apply to the trading of options on the AF CRE Indexes, such as, for example, Exchange Rules governing customer accounts, margin requirements and trading halt procedures. The Exchange also represents that it has the necessary systems capacity to support the new options series for each of the AF CRE Indexes.

²¹ See supra note 12.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act. The AF CRE Indexes satisfy initial listing standards set forth in the Exchange's rules, and the proposed number of expirations, settlement, and exercise style are consistent with current rules applicable to index options. Options on each of the AF CRE Indexes will provide investors with different and additional opportunities to hedge or speculate on the market associated with the AF CRE Indexes. Further, options on the AF CRE Indexes would be available for trading to all market participants.

The proposed rule change will facilitate the listing and trading of novel options products that will enhance competition among market participants, to the benefit of investors and the marketplace. The listing of options on the AF CRE Indexes will enhance competition by providing investors with an additional investment vehicle, in a fully-electronic trading environment, through which investors can gain and hedge exposure to various sectors of the commercial real estate market. Further, these products could offer a competitive alternative to other existing investment products that seek to allow investors to gain broad market exposure via REITs in the same individual sectors as the AF CRE Indexes.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

Written comments were neither solicited nor received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time

as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A) of the Act²² and Rule 19b-4(f)(6) thereunder.²³

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MIAX-2020-08 on the subject line.

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

²² 15 U.S.C. 78s(b)(3)(A).

²³ 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6)(iii) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change, along with a brief description and text of the proposed rule change, at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.

All submissions should refer to File Number SR-MIAX-2020-08. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to

make available publicly. All submissions should refer to File Number SR-MIAX-2020-08, and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.²⁴

J. Matthew DeLesDernier,
Assistant Secretary.

²⁴ 17 CFR 200.30-3(a)(12).

